

**Statement by
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Secretary of Agriculture
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Mr. Chairman, Senator Lugar and distinguished members, it is a privilege for me to appear before you today to discuss the implementation of the Farm Security and Rural Investment Act of 2002. I am pleased that you called this hearing to provide me the opportunity to share this with you and other Members who worked long and hard on the Farm Bill.

First, I will make some general remarks about implementing this Farm Bill and then discuss the progress we are making on specific titles of the bill.

Overall, I am pleased and proud of the progress the Department is making so far in implementing the bill. USDA had been actively engaged in preparing for a new bill well before passage. As soon as the Farm Bill was enacted, USDA went into high gear to implement it. In the four months since the President signed the Farm Bill, USDA has made major strides in implementation. Our staff throughout the country is working tirelessly and aggressively to implement all Farm Bill provisions as soon as possible.

Farm Bill implementation is a massive undertaking. The bill includes ten titles and over 400 pages with numerous sections and provisions. At the time of passage, its cost above baseline levels was estimated to be over \$80 billion. We have determined

that nearly 100 regulations will need to be issued, and that over 40 reports and studies will need to be prepared over the course of the bill's life. While such a complex bill is difficult to implement, we know our producers are waiting for programs to be in place and payments to begin and we appreciate their patience and perseverance. I assure you we are working hard to get Farm Bill programs out to producers as quickly as possible, and we are working just as hard to get the job done right.

As soon as the bill was enacted, we moved quickly to set up an internal structure for implementation. We established a Board of Directors made up of our Subcabinet and a Working Group of key senior staff to coordinate department-wide implementation. I have issued Delegations of Authority assigning program responsibilities to Under Secretaries and Agency Administrators. We have also developed a department-wide tracking system for all Farm Bill actions so that we know the up-to-date status for each action. We are currently tracking nearly 500 separate actions, including regulatory and non-regulatory actions that require implementation. We have assigned responsibility for each of these actions and set milestones for completion. We are monitoring progress closely and issues are being resolved quickly.

We are making extensive efforts to keep the public and Congress informed at every step of the way. So far, over 30 major press releases have been issued announcing key program actions. We have also held numerous press conferences and briefings to further inform the public. I am particularly pleased to note that immediately after the Farm Bill was signed, we initiated a dedicated website to provide access to

extensive up-to-date information about the Farm Bill to address many constituent questions as they have arisen. This has been a valuable tool and another example of things we are striving to do to improve our services through e-Government measures.

Although we are making good progress, I would like to point out that we do face a number of challenges. The workload is massive and we are doing the best we can with limited resources. I appreciate the Committee's support in providing \$55 million for implementation funding, but this level was below our initial and continuing estimates of need. The President yesterday officially requested an additional \$60 million in funding from the Appropriations Committees to cover the Farm Bill workload, and we are hopeful that Congress will provide us with these additional funds. We are using the currently available funding to hire over 1,000 temporary employees to help with sign-ups and other activities in our service centers across the country. We are also developing brand new programs and program application software as well as improving program delivery through additional staff training and third party technical service providers. All of this takes time and money.

We also have the challenge of reviewing, clearing, and publishing a very large number of regulatory actions and notices, as well as numerous reports and studies. Just the sheer number of these documents moving through the system is a time-consuming effort, but one that we are managing. Extensive efforts are still required to put many of the new provisions into effect. We have begun to publish regulations and more of them will be published in the next several weeks. We do not need to have final

regulations issued before the sign-ups can begin. Although the regulations will need to be issued before payments can be made, we are on track to meet the schedule we have established.

I will now discuss some of the key actions we have taken to implement specific programs, particularly for Title I (Commodity Programs) and Title II (Conservation), where most of the current attention is being focused because of the need to get programs up and running.

Title I – Commodities

As you know, Title I is complex and comprehensive, overhauling many of our programs and adding new ones as well. This means we must develop regulations, procedures, and software. We must also train our field employees and explain complex new programs to farmers. We are utilizing all available tools to get the job done.

In Washington, we are getting programs out to the county offices at a fast pace. To make sure farmers have timely information, we are publishing news releases, frequently asked questions, and other support materials on the USDA website. And, we are undertaking the most thorough training the Farm Service Agency (FSA) has ever had, including a train-the-trainer session in Chicago last July and another session in New Orleans last week.

Our field staffs are doing an extraordinary job in getting the programs in place, working with producers to update acreage reports and other key information to ensure a smooth signup process. In addition, they continue to hold press briefings, participate in radio interviews, and conduct meetings with producers and other groups.

We are very pleased with the overall progress we have made so far in implementing Title I. Just recently we announced that signup for the direct and counter-cyclical payment program will begin on October 1, with payments starting soon thereafter.

To ensure that producers can receive their payments, we are working closely with them in updating their acreage bases and yields. This will be the first time since 1985 that producers will have had a major opportunity to update program bases and yields. In this regard, in July we sent farm owners and operators acreage reports showing planted and prevented planted acreage. We are still accepting records from farmers who feel the information is incorrect. This month, we will send farmers two additional reports showing base options and minimum yields for farms that are considering updating yields. Owners will use this information to begin selecting base and yield options.

Earlier this month, we issued additional guidance regarding procedures for updating yields. In general, producers who wish to establish or update yields will need to have available verifiable production evidence such as weight tickets, loan deficiency

payments, crop insurance appraisals or sales records. However, we have made special provisions for producers with crops grazed, harvested as silage or hay or fed on the farm and, therefore, may not have tangible records of verifiable production. For these producers, FSA may use previous loan deficiency payments (LDP) records or yields on similar farms and other information to establish yields in most cases.

Helping producers make base and yield choices that are in their best interest has been a key focus of USDA. Toward this end, we have developed and will soon launch an interactive payment calculator that will be available on our website. In addition, FSA in partnership with the Extension Service is holding educational meetings with producers across the country. In the coming weeks, our USDA team will be working with producers to ensure that program payments will be made in an efficient and prompt manner.

Another new program we are working hard to move forward is the Milk Income Loss Contract. Thanks to the hard work by USDA staff in Washington and in the field, signup began on August 13. We have had a lot of interaction with many stakeholders in trying to make all the decisions necessary for that program. While we are still working on the fairest way to interpret the unique transition period provision, we hope to resolve this quickly so this will not hold up program administration or payments, which are scheduled to start next month.

The peanut program has gone through an historic overhaul. The market quota system, in place since the 1930s, has been replaced with the direct and counter-cyclical payment program. Peanuts also are eligible for the marketing loan program. We have begun announcing national weekly market price for loan repayment purposes. Peanut producers have the opportunity to sign up for the peanut quota buyout during the September 3rd through the November 22nd period. Payments will begin as soon as the rule is issued, which we expect to happen soon. All of these changes will make peanuts a more market-oriented commodity and help the industry become more competitive while easing the transition for peanut producers.

Sugar is another very complex program, and I am pleased that we were able to move quickly in implementing the new provisions. On August 26, we published a final rule and the following day announced the 2002-crop marketing allotment quantities for beet and cane sugar. A public hearing was held on September 4 to receive input from growers and processors on the structure and implementation of the allotment program. As you know, the law directs USDA to operate the sugar program in a way that will minimize the forfeiture of loan collateral and reduce unexpected impacts on trade, and we are going to follow that directive very carefully.

Apple Market Loss Assistance Program II (AMLAP II) regulations were published September 12. The sign-up for the program which began last spring will end September 26 and payments will be made in October. While AMLAP II was authorized by the appropriations bill, a similar follow on program, the AMLAP III, was added by the

Farm Bill. Signup for the AMLAP III will begin in October, with payments following soon after.

We also recently announced loan rates for pulse crops. These crops include dry peas, lentils, and small chickpeas.

Other implementation actions are moving along on schedule, with final rules in various stages of clearance. On the adjusted gross income (AGI) issue, USDA will publish a proposed rule seeking comments on how the AGI requirements should apply to non-profit and tax-exempt organizations and other program participants. The final rule on payment limitations is moving quickly through Departmental clearance, with software scheduled to be in FSA county offices by mid-September. The 26th signup of the Conservation Reserve Program (CRP) will begin in early spring of next year.

Title II – Conservation

We are pleased with the strong conservation programs contained in the Farm Bill. The changes in the conservation policy support this Administration's commitment to a voluntary approach and provide the Nation's producers with a comprehensive portfolio of conservation options including cost-share, incentive, land retirement, and easement programs. We are continuing those conservation programs reauthorized in the Farm Bill, such as the Wetlands Reserve Program (WRP), the Wildlife Habitat Incentive Program (WHIP), and the Farmland Protection Program (FPP). We are also revising those programs with major changes, such as the Environmental Quality

Incentives Program (EQIP) and the CRP, and we are initiating rulemaking on new programs, such as the Grassland Reserve Program and the Conservation Security Program.

Even though the regulatory effort needed to implement these programs is a major challenge, the process is on schedule on all fronts. Initially, our focus has been on getting the additional FY 2002 funding authorized by the Farm Bill into the system and out to producers and program participants. So far, we have issued the direct final rules on WRP and WHIP and a proposed rule for the Agriculture Management Assistance program. We have released funding for EQIP, WRP, WHIP and FPP as well as \$25 million in Ground and Surface Water Conservation, a new activity authorized in the 2002 Farm Bill to assist producers in achieving irrigation efficiencies and reductions in overall water usages. Funding for these conservation programs will exceed \$750 million for FY 2002. These funds will allow the Natural Resources Conservation Service (NRCS) to provide financial assistance under these programs as authorized by the 2002 Farm Bill.

One of the key provisions in the new Farm Bill is the authority to use third-party, technical service providers in delivering the technical assistance needed to support the implementation of the conservation programs. We are moving aggressively ahead with the expansion of direct technical assistance to producers from the private sector, non-profit sector, and State and local government sources. We are undergoing rulemaking as required by the statute to construct a system to certify, pay, and utilize the broad

range of technical assistance providers wherever feasible. This will be further enhanced by our efforts to accelerate deployment of the Customer Service Toolkit and the rollout of various web-based tools such as the electronic field office technical guide, e-forms including applications for the 2002 programs, and program specific public information products.

As we look ahead, we have scheduled the publication of proposed rules for early fall for EQIP and FPP for the 2003 programs and an interim final rule for the third party technical service provider certification. We are also making steady progress toward the proposed rule for the Conservation Security Program ensuring that this newest policy initiative is implemented properly. And, we are finalizing the delegation of authority for the Grassland Reserve Program.

For other titles of the Farm Bill we are also making progress but for the most part the time pressure is not as immediate as it is for Titles I and II. Here are some examples of some of the significant actions we are undertaking on the other titles of the bill:

- With respect to the trade title, we are moving ahead quickly with implementing the provisions that bolster our market development efforts overseas. Allocations of the additional \$10 million of funding made available for the Market Access Program for FY 2002 were announced on August 12th. We expect to complete allocations of the additional funding made available

for the Foreign Market Development in the near future so that funding will be fully obligated by the end of the fiscal year. On September 10, the Foreign Agricultural Service (FAS) published regulations to implement the new Technical Assistance for Specialty Crops Program and requested program proposals to be submitted by September 18th so that the program can be implemented by the end of this fiscal year. Also, FAS has completed a draft of the Department's Global Market Strategy, and it is currently undergoing review within the Department.

- For the Nutrition title, implementing memoranda were sent to all States in June so that the food stamp provisions could be put into effect according to statutory requirements. Also in June, we announced the awarding of farmer's market grants to States through the WIC Farmers' Market Nutrition Program and the Senior Farmers' Market Nutrition Program. In addition, the Food Nutrition Service has met with State agencies, State organizations, and various advocacy groups about issues and concerns and will continue to work closely with our partners to facilitate smooth implementation.
- The Rural Development title included a wide range of funding and new authorities to improve the economic prospects and quality of life in rural areas. One of the most important features of this title is to provide funding for the backlog of water and waste projects. This funding has already been awarded to 377 projects in 47 States and Puerto Rico — totaling more than

\$700 million. In addition, we expect to award \$33 million in value added grants in the near future. Numerous other provisions of the title that expand our authorities for financing telecommunication, renewable energy, business and community projects are in the process of being implemented through the regulatory process.

- For the Energy title, we have been meeting with the Department of Energy and other Federal agencies and most recently with the representatives of stakeholders, discussing implementation of its various provisions. As a result of these meetings, we will soon start the process of publishing rules and obligating funds, in accordance with the statutory deadlines established for the programs. Our focus, thus far, has been on Federal Procurement of Biobased Products and the Biomass Research and Development initiative, the two programs of the title with mandatory FY 2002 spending authority. We have also recently established the USDA Biobased Products and Bioenergy Coordination Council.
- Under the Miscellaneous title, we are developing voluntary guidelines for country-of-origin labeling that will be released in the near future. Also, under this title, we are moving forward to appoint a new Assistant Secretary for Civil Rights.

Along with the Farm Bill provisions, USDA is continuing to help farmers and ranchers cope with the drought conditions.

The Congress has already provided the tools for drought relief for crop farmers through the heavily subsidized Federal Crop Insurance Program. The crop insurance subsidy was increased dramatically in 2000 to avoid the need for disaster payments. The vast majority of the crop acreage in the drought regions is covered by crop insurance. Almost 80 percent of the insurable acreage in the U.S. is covered. Based on current crop conditions, our preliminary estimates indicate that the program will provide about \$4.1 billion indemnity payments for 2002 crop losses — compared to about \$2.9 billion for 2001 and an average of about \$1.5 billion for the 1990s.

The Department has also responded swiftly, utilizing a number of other available program options to assist farmers during these difficult times. We have expedited approval processes for declaring emergency disaster areas, so that farmers can receive low-interest emergency loans. We have committed resources to the Emergency Conservation Program to help landowners develop water sources and haul water to livestock. We have expanded CRP haying and grazing eligibility nationwide and are working to get noninsured crop disaster assistance program payments out to farmers and ranchers.

The Environmental Quality Incentives Program (EQIP) is another important program that provides farmers with financial and technical assistance to address

resource issues resulting from severe water shortages. We announced yesterday that we are directing \$10 million of EQIP funding in FY 2002 to States severely impacted by the drought. We have also encouraged landowners whose property has been impacted by drought conditions to apply for assistance through the Wildlife Habitat Incentives Program.

We also have announced a signup for an innovative feed assistance program for cow/calf operators in Colorado, Nebraska, South Dakota, and Wyoming. In these States, at least 75 percent of the pasture and range crop is currently rated as poor or very poor. The program provides \$150 million for producers to obtain feed at reduced or no cost at participating feed mills. And we are utilizing existing stocks of non-fat dry milk in the production of that feed. As of September 12, over 8.4 million pounds of non-fat dry milk has been shipped from storing warehouses to feed mills for use in manufacturing the feed. Coupled with the many other programs we have expedited in the recent months, these additional resources will continue to provide much needed relief to farmers in the most devastated areas.

Mr. Chairman, that concludes my statement. The staff at USDA is working very hard in view of the short deadlines to get the job done of implementing the Farm Bill so that all program participants can receive the benefits of the legislation. We are committed to doing the best job we can do. We are also committed to working with Congress and other stakeholders to ensure the legislation is implemented fairly and properly. I would now be glad to answer your questions.